

# Addendum



Federal laws called the Higher Education Amendments of 1992, the Omnibus Budget Reconciliation Act of 1993, and the Technical Amendments of 1993 recently took effect. These laws changed the name and some of the terms of the Robert T. Stafford Student Loan Program. This program, now called the Federal Family Education Loan Program, includes Federal Stafford Loans, Federal Supplemental Loans for Students (SLS), Federal Parent Loans (PLUS) and Federal Consolidation Loans.

## YOU ARE RECEIVING A LOAN THAT MUST BE REPAYED

### Changes Affecting Federal Consolidation Loans

#### Borrower Eligibility

1. If you and your spouse each hold eligible loans and if you agree to be held jointly and severally liable for repayment without regard to the amount of your individual indebtedness and **any future change in your marital status**, your individual loans can be consolidated into a single Federal Consolidation Loan. **If you and your spouse want to consolidate loans, a "Spouse Addendum" must be completed.** Contact the Consolidation Lender listed below for more information.
2. For Federal Consolidation Loans made before July 1, 1994, you must have at least \$7,500 in eligible loans (see Item 4) that you and/or your spouse plan to consolidate. For Federal Consolidation Loans made on or after July 1, 1994, there is no longer a minimum amount of eligible loans required.
3. If you do not include all your eligible loans in this Federal Consolidation Loan, you may do so at a later date, but only if your request is received by the consolidation lender within 180 days of the date your Federal Consolidation Loan was made. You may not add any additional eligible loans to this Federal Consolidation Loan after the 180 days have elapsed.

#### Eligible Loans

4. In addition to the loans detailed in the Promissory Note, you may consolidate your Federal PLUS (Parent) Loans and Health Education Assistance (HEAL) Loans.
5. If any of the loans you plan to consolidate are in default, contact your consolidation lender. If you are in default on a loan you wish to consolidate, you must have made satisfactory arrangements to repay the defaulted obligation with the holder of the loan **before** the time of application for consolidation.

#### Repayment Terms

6. The maximum length of the repayment period, as determined by the combined total amount of your Federal Consolidation Loan and other education loan debts (public or private higher education loan programs; personal loans cannot be considered), is:

Less than \$7,500	=	10 years
\$7,500 to \$9,999.99	=	12 years
\$10,000 to \$19,999.99	=	15 years*
\$20,000 to \$39,999.99	=	20 years
\$40,000 to \$59,999.99	=	25 years
\$60,000 and above	=	30 years

\* For Federal Consolidation Loans made before July 1, 1994, to be eligible for a 15-year repayment period, at least \$5,000 of the eligible loans must be Federal Stafford, Federal SLS, Federal PLUS, or Federal Insured Student Loans.

Your consolidation lender must make graduated or income-sensitive repayment schedules available to you should you desire one of these repayment options. Effective July 1, 1994, if none of your holders is able to provide you with an income-sensitive repayment schedule on your Federal Consolidation Loan (you must have sought and certify that you have been unable to secure such a repayment schedule), you may obtain a Federal Consolidation Loan from another lender or from the Department of Education.

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## Interest Rate

7. The interest rate on the Federal Consolidation Loan will be fixed for the term of the loan and is based on the weighted average of the interest rates of the loans being consolidated. For Federal Consolidation Loans made before July 1, 1994, the weighted average will be rounded to the nearest whole percent, with a minimum interest rate of 9 percent. For Federal Consolidation Loans made on or after July 1, 1994, the weighted average is rounded upward to the nearest whole percent; and the 9 percent minimum will not apply.

If a portion of the Federal Consolidation Loan is attributable to HEAL, the interest rate for determining the weighted average interest rate for that portion of the loan will be determined as follows:

For the 12-month period beginning July 1 and ending on June 30 in which the Federal Consolidation Loan is disbursed, the HEAL rate for purposes of determining the weighted average rate shall be equivalent to the average of the bond equivalent rates of the 91-day Treasury Bills auctioned for the quarter before July 1, plus 3.0 percent.

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## Deferments

8. If you consolidate all of your Federal Family Education Loans, deferments are available for the following situations:
- Enrollment at least half-time in a course of study as determined by an eligible school.
  - Pursuing a graduate fellowship program or a rehabilitation training program for individuals with disabilities, provided the program is approved by the Department of Education.
  - Up to three years, if you are seeking and unable to find full-time employment.
  - Up to three years, for any reason that your lender determines (in accordance with regulations) has caused or will cause you to have an economic hardship. An economic hardship exists when the borrower is working full-time and earns no more than the Federal minimum wage, or 100% of the poverty line for a family of two; OR the borrower's total monthly educational loan payment equals or exceeds 20 percent of his/her monthly disposable income (as defined by the Secretary of Education).

If you do not consolidate all of your Federal Family Education Loans, the deferment options available to you for this consolidation loan will be based on the deferment provisions which are in effect for the oldest outstanding FFEL loan. Contact your consolidation lender for this information.

9. If your consolidation loan application was received by the lender on or after January 1, 1993, and prior to August 10, 1993, the interest which accrues during authorized deferment periods will be paid by the Federal Government.

If your Federal Consolidation Loan was made based on an application received by your lender on or after August 10, 1993, your eligibility for federal interest subsidy is dependent upon the loans you consolidated:

- If your Federal Consolidation Loan includes **only** Subsidized Federal Stafford Loans, the Federal Government will pay interest that accrues on your Federal Consolidation Loan during authorized deferment periods.
- If your Federal Consolidation Loan includes **any** loans for which you were responsible for paying the interest during the in-school, grace or deferment periods (Federal SLS, Federal PLUS, HPST, Federal Perkins, HEAL, or Unsubsidized Federal Stafford Loans), you will be responsible for paying all of the interest during authorized deferment periods, even if your Federal Consolidation Loan included one or more Subsidized Federal Stafford Loan(s).

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**Note:** If you have any questions regarding these provisions contact:

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